

January 10, 2005

HAND DELIVERED

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

RECEIVED

JAN 10 2005

PUBLIC SERVICE
COMMISSION

Re: PSC Case No. 2004-00423

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case an original and five (5) copies of the Responses of East Kentucky Power Cooperative, Inc., to the Data Requests of the Commission Staff and the Attorney General dated December 23, 2004.

Very truly yours,



Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc: Elizabeth E. Blackford, Esq.
Michael L. Kurtz, Esq.



EAST KENTUCKY POWER COOPERATIVE

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Enclosures

Cc: Elizabeth E. Blackford, Esq.
Michael L. Kurtz, Esq.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY,) CASE NO.
AND A SITE COMPATIBILITY CERTIFICATE,) 2004-00423
FOR THE CONSTRUCTION OF A 278 MW)
(NOMINAL) CIRCULATING FLUIDIZED BED)
COAL FIRED UNIT IN MASON COUNTY,)
KENTUCKY)

SECOND DATA REQUEST OF COMMISSION STAFF
TO EAST KENTUCKY POWER COOPERATIVE, INC.

Pursuant to 807 KAR 5:001, Commission Staff requests that East Kentucky Power Cooperative, Inc. ("East Kentucky") file the original and 5 copies of the following information with the Commission on or before January 5, 2005, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the response to Item 2 of the Commission Staff's first data request dated December 7, 2004 ("Staff's first request"). Part (a) of the response indicates that the results shown in Exhibit 4 of East Kentucky's application " . . . are based on the present value of revenue requirements divided by the total energy

produced over the evaluation period for each proposal.” The response goes on to explain that this approach was used due to the variances in peak output among the different units that were evaluated.

a. Does this response mean that East Kentucky has the present value of revenue requirements available in total dollars as well as it being available in the form presented – Average \$/MWh? If no, explain the response.

b. If yes to part (a) above, provide the present value of revenue requirements for all options being evaluated in total dollars including all supporting calculations, assumptions, etc.

2. Refer to the response to Item 4 of the Staff’s first request. The last sentence states, in part, that “the economic life of the project being evaluated . . . is normally the correct period over which to evaluate the net present value revenue requirements.” In its evaluation of the net present value revenue requirements, what economic life has East Kentucky assigned to the Spurlock 4 project? Explain how this economic life was determined.

3. Refer to the responses to Items 7 and 8 of the Staff’s first request. In the event Spurlock 4 is not operational by April 1, 2008, market purchases will be required to supply Warren Rural Electric Cooperative Corporation (“Warren RECC”). Describe the extent to which East Kentucky has factored this possibility into the structure of the rate adder it intends to charge Warren RECC for the incremental cost of Spurlock 4.



Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

DATED December 23, 2004

cc: All Parties

Case No. 2004-00423

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**THE APPLICATION OF EAST KENTUCKY POWER
COOPERATIVE, INC., FOR A CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY, AND A) CASE NO.
SITE COMPATIBILITY CERTIFICATE, FOR THE) 2004-00423
CONSTRUCTION OF A 278 MW (NOMINAL)
CIRCULATING FLUIDIZED BED COAL FIRED UNIT
IN MASON COUNTY, KENTUCKY**

**RESPONSES TO COMMISSION STAFF SECOND DATA REQUESTS
DATED DECEMBER 23, 2004**

EAST KENTUCKY POWER COOPERATIVE, INC.,
PSC CASE NO. 2004-OO423
INITIAL INFORMATION REQUEST RESPONSE

COMMISSION STAFF'S REQUEST DATED 12/23/04

REQUEST 1

RESPONSIBLE PARTY: David G. Eames

REQUEST 1. Refer to the response to Item 2 of the Commission Staff's first data request dated December 7, 2004 ("Staff's first request"). Part (a) of the response indicates that the results shown in Exhibit 4 of East Kentucky's application" . . . are based on the present value of revenue requirements divided by the total energy produced over the evaluation period for each proposal." The response goes on to explain that this approach was used due to the variances in peak output among the different units that were evaluated.

REQUEST 1a. Does this response mean that East Kentucky has the present value of revenue requirements available in total dollars as well as it being available in the form presented – Average \$/MWh? If no, explain the response.

RESPONSE 1a. Yes. The present value of revenue requirements in total dollars is available for all of the baseload proposals.

REQUEST 1b. If yes to part (a) above, provide the present value of revenue requirements for all options being evaluated in total dollars including all supporting calculations, assumptions, etc.

RESPONSE 1b. The present value of revenue requirements ("PVRR") in total dollars is shown in Table Q1-A for all of the baseload proposals. The PVRR includes all

costs associated with the proposals, including the cost of any needed transmission to deliver the power to EKPC. Table Q1-B shows the assumptions used in the analysis.

TABLE Q1-A

RFP NO. 2004-01 SUMMARY OF RESULTS

BASELOAD PROPOSALS

EnerVision Ranking of Economic Screening Results for Baseload Proposals Based on Average \$/MWh

3% Discount Rate				
Rank	Bid #	Average \$/MWh	First Year (\$/MWh) (2004\$)	Total PVRR 2004\$ (Billions)
1	15	23.21	33.55	1.447
2	15	23.70	33.77	2.955
3	15	24.74	34.62	1.750
4	15	24.83	34.45	3.304
5	28	26.43	31.42	1.632
6	7	26.99	31.16	0.999
7	11	27.85	35.14	1.661
8	22	30.20	35.13	2.584
9	8	31.76	38.21	2.424
10	31	31.87	34.72	1.827
11	14	31.91	37.36	0.446
12	35	34.16	39.63	2.689
13	16	35.72	41.49	2.204
14	26	38.65	39.58	2.215

6% Discount Rate				
Rank	Bid #	Average \$/MWh	First Year (\$/MWh) (2004\$)	Total PVRR 2004\$ (Billions)
1	15	14.59	29.91	0.909
2	15	14.69	29.26	1.832
3	15	15.08	29.00	2.006
4	15	15.37	29.99	1.087
5	28	16.45	28.01	1.016
6	11	17.20	30.44	1.026
7	7	18.08	26.99	0.669
8	31	18.18	29.23	1.042
9	22	19.27	30.43	1.649
10	16	21.13	34.93	1.304
11	8	21.77	34.06	1.662
12	26	23.11	34.29	1.325
13	35	23.36	34.33	1.839
14	14	25.06	33.31	0.350

TABLE Q1-B											
RFP2004-01 Baseload Proposal Evaluation Details and Assumptions											
Bid No.	Type	Term (yr)	Start	End	Average Heat Rate	Fuel	MW capacity	Capacity Factor	Discount Rate #1	Discount Rate #2	
15	CFB Turnkey	32	2008	2039	10,420	CFB coal	278	80%	3%	6%	
15	CFB Turnkey	32	2008/2009	2039/2040	10,420	CFB coal	556	80%	3%	6%	
15	CFB Turnkey	32	2009/2010	2040/2041	10,420	CFB coal	556	80%	3%	6%	
15	CFB Turnkey	32	2009	2040	N/A	CFB coal	278	80%	3%	6%	
28	PPA	32	2008	2039	N/A	CFB coal/waste coal	267	80%	3%	6%	
7	PPA	20	2009	2028	N/A	Waste coal	260	80%	3%	6%	
11	PPA	31	2008	2038	N/A	Pulv coal	275	80%	3%	6%	
22	PPA	25	2009	2033	N/A	IGCC	275	80%	3%	6%	
8	PPA	21	2008	2028	N/A	IGCC	550	80%	3%	6%	
31	PPA	30	2010	2039	N/A	Pulv coal	275	80%	3%	6%	
14	PPA	10	2008	2017	N/A	Coal/gas	200	80%	3%	6%	
35	PPA	21	2008	2028	N/A	CFB coal	550	80%	3%	6%	
16	PPA	32	2010	2041	N/A	Pulv coal	550	80%	3%	6%	
26	PPA	31	2008	2038	N/A	Pulv coal	275	80%	3%	6%	

Note: The total PVRR \$ includes EKPC's best estimates of total transmission costs for the evaluation periods.
Note: Bridge power at projected market prices was included in the analysis when power would not be available in 2008.

EAST KENTUCKY POWER COOPERATIVE, INC.,
PSC CASE NO. 2004-OO423
INITIAL INFORMATION REQUEST RESPONSE

COMMISSION STAFF'S REQUEST DATED 12/23/04

REQUEST 2

RESPONSIBLE PARTY: David G. Eames

REQUEST 2. Refer to the response to Item 4 of the Staff's first request. The last sentence states, in part, that "the economic life of the project being evaluated . . . is normally the correct period over which to evaluate the net present value revenue requirements." In its evaluation of the net present value revenue requirements, what economic life has East Kentucky assigned to the Spurlock 4 project? Explain how this economic life was determined.

RESPONSE 2. An economic life of 32 years was assigned to the Spurlock 4 project. This 32-year life is based on guidelines from the Rural Utilities Service ("RUS") on the life of a typical coal fired generating plant for accounting purposes, in that for accounting purposes the unit will initially be depreciated over this time frame.

EAST KENTUCKY POWER COOPERATIVE, INC.,
PSC CASE NO. 2004-OO423
INITIAL INFORMATION REQUEST RESPONSE

COMMISSION STAFF'S REQUEST DATED 12/23/04

REQUEST 3

RESPONSIBLE PARTY: David G. Eames

REQUEST 3. Refer to the responses to Items 7 and 8 of the Staff's first request. In the event Spurlock 4 is not operational by April 1, 2008, market purchases will be required to supply Warren Rural Electric Cooperative Corporation ("Warren RECC"). Describe the extent to which East Kentucky has factored this possibility into the structure of the rate adder it intends to charge Warren RECC for the incremental cost of Spurlock 4.

RESPONSE 3. It is not anticipated that the rate adder that EKPC will charge Warren RECC for power supply facilities will include any potential short term market purchases. On a short-term basis, EKPC believes the impact of the incremental cost of such purchases over the cost of Spurlock 4 would have a minimal effect on the rate adder. EKPC believes the commercial operation date of April 1, 2008, for Spurlock 4 is an achievable date. The fact that there are no new transmission projects required to deliver the output of Spurlock 4 into the grid is beneficial in meeting the proposed schedule. In addition, the experience gained in the construction of the Gilbert Unit at Spurlock Station will help EKPC meet the Spurlock 4 schedule since Spurlock 4 is essentially a duplicate of the Gilbert Unit.



EAST KENTUCKY POWER COOPERATIVE

January 10, 2005

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Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case an original and five (5) copies of the Responses of East Kentucky Power Cooperative, Inc., to the Data Requests of the Commission Staff and the Attorney General dated December 23, 2004.

Very truly yours,

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Senior Corporate Counsel

Enclosures

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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DEC 22 2004

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR A CERTIFICATE OF)
CONVENIENCE FOR THE CONSTRUCTION OF) CASE NO. 2004-00423
A 278 MW (NOMINAL) CIRCULATING FLUIDIZED)
BED COAL FIRED UNIT IN MASON COUNTY)

REQUEST FOR INFORMATION POSED BY THE ATTORNEY GENERAL

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Request for Information to East Kentucky Power Cooperative, Inc. to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Please identify the witness who will be prepared to answer questions concerning each request.
- (3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (4) If any request appears confusing, please request clarification directly from the Office of Attorney General.
- (5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

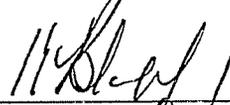
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL



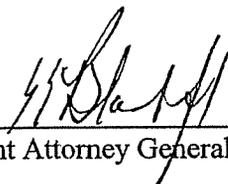
ELIZABETH E. BLACKFORD
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DRIVE, SUITE 200
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315
betsy.blackford@ag.ky.gov

NOTICE OF FILING AND CERTIFICATE OF SERVICE

Notice is hereby given that the original and seven true copies of the foregoing have been filed with the Executive Director of the Kentucky Public Service Commission by hand delivery to 211 Sower Boulevard, Frankfort, Kentucky 40601, this the 2nd day of December, 2004. I further certify that this same day the parties have been served by mailing a true copy, postage prepaid, to Counsel of Record as follows:

HON CHARLES A LILE
SENIOR CORPORATE COUNSEL
EKPC INC
P O BOX 707
WINCHESTER KY 40392-0707

MICHAEL L KURTZ ESQ
BOEHM, KURTZ & LOWRY
36 E SEVENTH ST SUITE 1510
CINCINNATI OH 45202


Assistant Attorney General

Requests for Information Posed
By the Attorney General to EKPC
Case No. 2004-00423

1. In response to Commission Staff's Request dated 12/07/04, request 3, EKPC stated in part: "...more generating units can provide faster system response to load fluctuations, and, in addition, loads such as Gallatin steel will represent a smaller proportion of the total EKPC load. The end result is that EKPC will be able to better handle load-following for existing and future large industrial loads." Please give a basic description of what load fluctuations are anticipated for large industrial loads so as to require load following and how baseload units participate in that load following or are used in planning for the need for such load following.
2. In response to Commission Staff's Request dated 12/07/04, request 4, EKPC stated that the length of the RUS loan for coal-fired generation projects will normally match the economic life of the assets being acquired, but that the length of the loan will not usually be allowed to exceed the end of the Wholesale Power Contract (WPC) term between EKPC and its member cooperatives.
 - a. Are the terms of the member cooperatives' Wholesale Power Contracts individual and set to expire at different times, or do they expire at the same time?
 - b. If they expire at individual times, is the term of any one WPC or set of WPCs the determining factor for this RUS loan? If so, which WPC(s) are involved and when are they due to expire?
3. In response to Commission Staff's Request dated 12/07/04, request 6, EKPC stated that Fleming-Mason Energy Cooperative and one other member cooperative have an interest in pursuing a partial requirements contract with EKPC whereby they could purchase a portion of their future load growth from another power source. What impact would the utilization of the less than full requirements contracts for member cooperatives have on the planning scenarios utilized by EKPC for its generation additions in this application and over the next 5 years and the next 10 years?

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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COOPERATIVE, INC., FOR A CERTIFICATE OF	
PUBLIC CONVENIENCE AND NECESSITY, AND A)	CASE NO.
SITE COMPATIBILITY CERTIFICATE, FOR THE)	2004-00423
CONSTRUCTION OF A 278 MW (NOMINAL)	
CIRCULATING FLUIDIZED BED COAL FIRED UNIT	
IN MASON COUNTY, KENTUCKY	

RESPONSES TO ATTORNEY GENERAL REQUESTS FOR INFORMATION
DATED DECEMBER 22, 2004

EAST KENTUCKY POWER COOPERATIVE, INC.,
PSC CASE NO. 2004-OO423
INITIAL INFORMATION REQUEST RESPONSE

ATTORNEY GENERAL REQUEST DATED 12/22/04

REQUEST 1

RESPONSIBLE PARTY: David G. Eames

REQUEST 1. In response to Commission Staff's Request dated 12.7.04, request 3, EKPC stated in part: "... more generating units can provide faster system response to load fluctuations, and, in addition, loads such as Gallatin Steel will represent a smaller proportion of the total EKPC load. The end result is that EKPC will be able to better handle load-following for existing and future large industrial loads." Please give a basic description of what load fluctuations are anticipated for large industrial loads so as to require load following and how baseload units participate in that load following or are used in planning for the need for such load following.

RESPONSE 1. Industrial loads such as Gallatin Steel can change as much as 150 MW or more in as little as 2 or 3 minutes. Most industrial loads do not change as much as Gallatin Steel but do contribute to the overall changes in the total system load. The residential load also constantly changes due to changes in temperature and other weather conditions and consumer energy usage patterns. EKPC is required by the North American Electric Reliability Council ("NERC") to meet certain Control Performance Standards ("CPS"). The CPS standards relate to statistical boundaries for the Area Control Error ("ACE") that is a measurement of the mismatch of demand and supply in a control area. The ability to follow load is critical in being able to meet the CPS requirements. Spurlock 2, EKPC's largest unit, has the capability to change load at a rate of approximately 5 MW/minute. Since baseload units are online practically all the time they are available, such units are used continuously to follow load and therefore keep

EKPC in compliance with NERC requirements. EKPC's Smith CT units 1-4 can also follow load but are generally online only during peak periods. Smith CT units 5-7 have operating restrictions in their air permits that make them less effective for load following. The more units there are online, the greater the capability of the system to follow load and the better the system is able to meet NERC requirements.

**EAST KENTUCKY POWER COOPERATIVE, INC.,
PSC CASE NO. 2004-OO423
INITIAL INFORMATION REQUEST RESPONSE**

ATTORNEY GENERAL REQUEST DATED 12/22/04

REQUEST 2

RESPONSIBLE PARTY: David G. Eames

REQUEST 2. In response to Commission Staff's Request dated 12/7/04, request 4, EKPC stated that the length of the RUS loan for coal-fired generation projects will normally match the economic life of the assets being acquired, but that the length of the loan will not usually be allowed to exceed the end of the Wholesale Power Contract (WPC) term between EKPC and its member cooperatives.

REQUEST 2a. Are the terms of the member cooperatives' Wholesale Power Contract individual and set to expire at different times, or do they expire at the same time?

RESPONSE 2a. The terms of EKPC's member cooperatives' Wholesale Power Contracts are individual agreements, but all are set to expire on the same date.

REQUEST 2b. If they expire at individual times, is the term of any one WPC or set of WPCs the determining factor for this RUS loan? If so, which WPC(s) are involved and when are they due to expire?

RESPONSE 2b. All of the member systems' Wholesale Power Contracts currently expire on January 1, 2041.

**EAST KENTUCKY POWER COOPERATIVE, INC.,
PSC CASE NO. 2004-OO423
INITIAL INFORMATION REQUEST RESPONSE**

ATTORNEY GENERAL REQUEST DATED 12/22/04

REQUEST 3

RESPONSIBLE PARTY: David G. Eames

REQUEST 3. In response to Commission Staff's Request dated 12.7.04, request 6, EKPC stated that Fleming-Mason Energy Cooperative and one other member cooperative have an interest in pursuing a partial requirements contract with EKPC whereby they could purchase a portion of their future load growth from another power source. What impact would the utilization of the less than full requirements contract for member cooperatives have on the planning scenarios utilized by EKPC for its generation additions in this application and over the next 5 years and the next 10 years.

RESPONSE 3. EKPC's member system cooperatives do not currently have the option to choose a partial requirements contract. However, a few of them have expressed an interest in such a contract. Any proposed partial requirements contract offered to the member systems in the future would have to be approved by the Rural Utilities Service ("RUS"), EKPC, and EKPC's member systems entering such a contract. The concept of a partial requirements contract, as recognized by RUS, normally involves a commitment of a member system to a fixed power supply amount for a specified period from its current power supply cooperative, with any future load growth to be obtained from other suppliers or by a new purchase commitment negotiated with the current supplier.

All EKPC member systems are currently obligated to purchase all of their power supply requirements through 2040 from EKPC, subject to a small amount of flexibility in the current Wholesale Power Contract. All of EKPC's member systems have also approved

the proposed Spurlock 4 project. It is unlikely that any partial requirements contract would be negotiated to allow a member system to buy power supply elsewhere, for power supply the member already has committed to purchase from EKPC.

If, in fact, a partial requirements contract were approved for use, EKPC would only plan power supply for the load requirements for which the member systems were fully committed. Any member systems using a partial requirements contract which wishes to purchase uncommitted additional power supply would be subject to notice requirements based on planning needs, and the negotiation of a purchase agreement would be subject to the availability of capacity. Therefore a partial requirements contract, if approved, would have no impact on the proposed project, and would be taken into account in determining power supply for future load growth.